

**State Employee Benefits Advisory Council Meeting**  
**March 25, 2009**  
**Statewide Benefits Office**  
**Dover, Delaware**

The State Employee Benefits Advisory Council met on March 25, 2009 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Ed Tos, Chair, SEBAC, DOL  
Christine Long, SEBAC, DHSS  
Meaghan Brennan, SEBAC, OMB  
(Via conference call)

Thomas Chapman, SEBAC/DSEA  
(Via conference call)

Barbara Summers, SEBAC, Appoquinimink S.D.  
(Via conference call)

Judy Anderson, DSEA

Tim Barchak, DSEA

Brenda Lakeman, OMB, SW Benefits, Director

Faith Rentz, OMB, SW Benefits

Ann Skeans, SW Benefits

Mary Thuresson, OMB, SW Benefits

Phil Urban, DelDOT

Joe Galgalo, Retiree (CRSD)

Dave Leiter, DHSS, Facility Ops.

Ms. Lakeman called the meeting to order at 3:05 p.m. Introductions followed.

**1. Approval of Minutes**

Mr. Tos requested a motion to approve the March 6, 2009 SEBAC minutes. Ms. Long made the motion and Mr. Chapman seconded the motion. Upon unanimous voice approval the motion passed.

**Agenda Items Discussed:**

**2. Update of SEBC activities/Old Business – Group Health Program FY10 Planning**

Ms. Lakeman stated there has been no change in the March 13<sup>th</sup> SEBC proposal that will be up for vote on March 30<sup>th</sup>. It includes: A fifty percent across the board employee contribution increase to the PPO and HMO plans; using \$20M of the Health Fund surplus; keeping the Wellness Program and suspending the Second Opinion Program; using \$2.7M of the Medicare Part D Subsidy reimbursement and \$6.6M from changes in the prescription program (90 day prescription fill requirements and renegotiation of the Medco contract that will result in greater rebates and discounts). Once the health rates are decided for next fiscal year the SEBC will be asked to prioritize a legislative agenda. The double state share (DSS) issue is not under the control of the SEBC and will not be included in the changes approved at the March 30<sup>th</sup> meeting. The General Assembly will determine if DSS is eliminated. For the benefit of participants not in attendance at the March 6<sup>th</sup> meeting, Mr. Tos reviewed how DSS functions, how the benefit is funded and emphasized that elimination of the benefit will not result in any direct savings to the health fund.

Concern was expressed about what would happen if the funding proposed for the Health Fund through the Governor's Recommended Budget is not approved by the legislature. Mr. Tos explained that the SEBC would need to make additional changes to cover the shortfall, either by reducing benefits or raising premiums. Mr. Chapman explained that a vote by the SEBC on Monday and their decision on the budget and benefits for FY2010 will be a strong step toward securing the funding included in the state budget. Closing the Health Fund budget will allow the legislature to focus on other challenges.

There was discussion about the First State Basic Plan which does not require an employee contribution. If salaries are decreased employees may migrate to this plan out of necessity. Mr. Tos stressed it may be their refuge and that the SEBC should make every attempt to maintain the current level of benefits for this plan. Ms. Lakeman explained that significant membership growth in the First State Basic Plan may create a problem for FY2011 if the Health fund receives less revenue through premiums and does not experience a relative decrease in claim expenditures.

### **3. New Business**

Mr. Leiter asked where state employees can find information related to the Group Health program and changes approved by the SEBC. Ms. Lakeman explained information is distributed via pay stuffers, web sites and weekly emails sent to benefit representatives at all agencies and schools. Discussion revealed that most state employees (especially those without computers or computer skills) do not know where or how to access information about current issues, items before the SEBAC/SEBC and the committees' recommendations. Both committees should explore ways to improve communication.

The pending SEBC recommendations to be voted on March 30<sup>th</sup>, along with the Governor's Initiatives can create a huge impact on employees. The "Big Picture" should be carefully reviewed.

The legislative initiatives presented at the March 13, 2009 SEBC meeting were discussed (March 13, 2009 FY2010 Planning – PowerPoint, Slide 13):

- Elimination of Double State Share
- Assessment of percent of salary for employee health care premium
- Reduction in Dependent Coverage
- Reduction in State Share coverage for Medicare Supplement plan to less than 100%
- Ability to apply different rating structure/State Share for active employees and non-Medicare eligible retirees
- Elimination of "free" plan
- Consider change in structure of State Share for new hires and retirees after certain date

Mr. Tos stated that most of these will cost the state employees money and strongly suggested that none of these be considered until after employees regain their eight percent pay decrease and recoup their losses. Mr. Chapman expressed concern that workers are doing a lot of giving and he is not sure these are responsible choices. State government may need to look at this differently. It may be counterproductive and force people onto welfare.

Discussion on options to cut costs included: use of sliding scales for premium fees, restructuring health plans, implementing a statewide tax and making changes in Delaware Code to allow flexibility for health plan options.

Ms. Anderson recapped how the state used Health Fund surplus to conduct a premium holiday in November 2008 and that on a long term basis this is not a sustainable funding option. This needs to be considered when formulating a long term strategy.

#### **4. SEBAC comment to SEBC**

Mr. Tos stated there will be no new comments to the SEBC and the prior recommendation of the SEBAC will stand as presented at the March 13, 2009 SEBC meeting.

#### **5. Public Comment**

Mr. Urban asked for details concerning reduction in family benefits and/or DSS as there are a lot of rumors going around. DSS change is not part of the proposal currently before the SEBC. The legislature would have to modify the Delaware Code to change DSS. Mr. Leiter asked if SEBAC/SEBC and the Governor had different recommendations/initiatives, to which the answer was yes. Examples, costs, questions and answers followed concerning the different health plans and tiers and how changes could affect costs and the level of coverage for dependents. Mr. Urban explained his family situation, both spouses being state employees. The nature of his job causes him illness and there is nothing extra to cover that. Ms. Lakeman stated she was not an expert with Worker's Compensation and that would have to be addressed with someone who was. With child care expenses of \$1,300 a month, if pay is decreased and benefit premiums are raised it will no longer be beneficial for his wife to work and they will not have enough to live. Either they won't eat or have heat. They won't be able to afford health care. They live in a top "cancer" area. He was reminded of the free First State Basic health plan that exists. It was brought up that state employees may be forced to look for other employment if these changes are made and the state may be taking a risk by making these changes.

Mr. Galgalo, a school district retiree, expressed concern about possible prescription co-pay increases. He has a daughter with a severe medical condition requiring Enbrel, which costs \$1,200 per month. Ms. Lakeman explained the only prescription change being sought is to require a 90 day fill on most maintenance medications. In the long term it will actually save him money paying for two months instead of three, if it is a listed maintenance medication. Three 30 day fills will be allowed before the 90 day fill requirement goes into effect. By going to the Statewide Benefits website or calling the 800 Medco number he can find out more details on the medication in question. Mr. Chapman noted the 90 day fill requirement was also a concern for many retirees. Again, there was concern that older people don't use the computer. Ms. Lakeman stressed that the Statewide Benefits Office distributes the information to the schools and agencies to post and distribute. It is important that cost cutting measures be used to minimize the rising costs for health care. SEBAC members believe the state has an obligation to its employees to help abate stress and this lack of communication isn't helping, employees are getting mad.

Mr. Leiter presented the SEBAC with his comments stating the proposed 8% pay decrease combined with increased health plan premiums would shift the low pay grade employees into poverty. He suggests no changes for pay grade 15 and below. He also distributed copies of data tables showing: 2009 State of Delaware employee pay grade (1-10) tables; 2009 Federal Poverty Guidelines; Delaware Low Income Home Energy Assistance Program requirements and Delaware Weatherization Assistance Program requirements to reinforce his suggestions. Mr. Leiter asked where more employee salary information was available. Mr. Chapman said the Treasurer's Office can create a "scatter gram" to identify the number of employees assigned to specific pay grades. Mr. Leiter also explained how lower pay grade staff attempt to save money by purchasing cheaper supplies, but get in trouble because

of state contracts. They are trying to help. He feels his concerns need to be communicated to legislators. Mr. Leiter asked if retirees' premium rates would be raised. Per his response from Henry Smith, Deputy Secretary of DHSS and Russ Larson, they will not. Ms. Lakeman explained that retirees under 65 would have increases, but not those over 65.

During the comments a question of "moral responsibility" of our legislators was raised. Miscellaneous rumors were brought forth and facts given. A point was made that if Delaware bases its economy on systems that go up and down economically and financially, one has to ask the question, where was everybody when the economy and financial stability began to fall. The government has a responsibility to look at cost efficiencies and not push all responsibility onto the employees. DEFAC, who does the revenue projections, where were they? For clarification it was explained that the health plan and general fund each have separate surplus funds. Mr. Leiter and Mr. Urban requested copies of the minutes be sent to them when finalized. Mr. Tos thanked the state employees for their input as it helped the SEBAC to understand the effects of the proposed changes on employees and their families.

The SEBAC agreed that after Monday's SEBC meeting they need to reconvene and discuss what occurred and gather comments to proceed with recommending a legislative agenda to the SEBC.

Ms. Lakeman stated the next SEBAC meeting will be April 22, 2009 at the Statewide Benefits Office. She then asked for a motion to adjourn. Mr. Tos made the motion to adjourn and Ms. Long seconded the motion. Upon unanimous voice vote, the meeting was adjourned at 4:35 p.m.

Respectfully submitted,

Mary Thuresson  
Administrative Specialist II  
Statewide Benefits Unit, OMB